Employee Benefits Guide

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About the Editors

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How to Use This Booklet

1. A person's total "pay package" can be a lot more than just the money the person receives for working. Employee benefits can be an important part of a person's total pay, so it's important to understand how these benefits add up.

2. There is a wide range of benefits "out there" in today's job market. The choice can be overwhelming! This booklet will show you the overall universe of benefits that employers could offer and help you understand what your employer or potential employer is offering. You'll be better able to decide whether to take a job after learning about everything that makes up the total pay package.

3. We've set out a series of general topics in alphabetical order. First, find the topic of interest to you.

4. Next, read our overview of the topic

5. Underlined words are in the Glossary at the end of the booklet. Relevant legislation will be *ITALICIZED AND CAPITALIZED* and will be in the appendix at the end.

6. Use the Benefit Comparison Chart at the end to help you think through the benefits you're being offered—then you'll know about all parts of the "pay package" when you're deciding whether to take a job.

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Compensation: How much do I get paid for all of my hard work?

This is the money that your employer pays you. You can be paid weekly, biweekly, monthly, or per task. Your employer can pay you all at once, or can defer (hold back) some of your pay so you receive it in the future, like retirement savings plans. Your compensation may also include fringe benefits.

Several things, including your share of the cost of your benefits and income and Federal Insurance Contributions Act (FICA) taxes, will reduce your actual take-home income. Everyone pays these taxes and the amount of taxes taken or withheld is based on the information you fill out on your W-4 form when hired. Fill out the Form W-4 carefully so that enough money is taken out so that you do not owe money when it is time to file your tax return in April. A sample Form W-4 is attached to this booklet.

Examples of rates for the mandatory tax withholdings are:

- Social Security (FICA) — a 6.2% employee contribution, matched by the employer;
- Medicare – 1.45% employee contribution, matched by the employer;
- Federal Income Tax ranging from 10%-38.6%; and
- State Income Tax (WI) ranging from 6.5%-6.75%.

Some jobs may involve joining a union. A union is an organization of workers that uses collective support to bargain on your behalf for benefits and pay raises. If you join a union, you may have to pay some annual membership dues or fees.

Your paycheck may come in the form of a check or may be deposited directly into a checking account ("direct deposit"). Some banks and credit unions will waive some of their fees if you use direct deposit. A credit union is like

a bank but because you join it and its created for its members, you may receive more favorable rates or fee structures.

Employment Status: Am I an employee or an independent contractor?

An important issue concerns your employment status—whether you're an employee or an independent contractor. The legal distinction can be tricky. Generally speaking, if you can perform your job without direct supervision by your employer, you're considered an independent contractor. If your employer has the right to supervise your work closely, you're generally considered an employee.

What does this mean? Among other things, if you're an employee, your employer will deduct taxes from your payroll and will give you a paycheck for the balance. *If you're an independent contractor, your employer will pay you a lump sum and you're responsible for making periodic tax payments to the government yourself. Generally speaking, employees receive more fringe benefits than independent contractors do.*

Insurance: How do I protect my income and the support I provide for my family?

Your employer may offer several types of insurance, but there may be a "waiting period" before you become eligible. In general, insurance policyholders pay a fixed amount (the "premium") to the insurance company in return for a promise by the company to protect against larger losses or expenditures. Employers may offer health or medical insurance, disability insurance, life insurance, and long-term care insurance.

Health Insurance

Health insurance provides coverage for you and/or your family members for the cost of medical care. You may have to pay part of the health insurance premium, which will be deducted from your pay. This cost may vary by the number of family members covered and the type of health insurance you select. In addition, your health insurance plan may also require you to pay a small fee when you use certain services ("co-payments"). The out-of-pocket costs you pay for health care can be withheld from your pay using a Flexible Spending Account (if your employer provides one), which may have tax advantages.

There are two common types of health care plans: Health Maintenance Organizations (HMOs) and Preferred Provider Organizations (PPOs). An HMO is a firm that contracts with medical facilities, physicians, and employers to provide medical care to a group of people. A PPO is a health care plan in which a limited number of "preferred" health care providers contract to deliver services to PPO members.

In Wisconsin, if you are a member of certain programs such as W-2 or Food Stamps, you may request additional coverage from the State to help during the transition period until you are eligible for employer benefits, or while you're waiting to receive your first paycheck.

Disability Insurance

Also known as income continuation insurance, disability insurance can replace a portion of your income when you are unable to work because of injury or illness. The two major types of disability insurance benefits are short term (generally available for 6 to 12 months) and long-term (generally available after 12 months and potentially lasting for several years). If your employer pays the premium for

disability benefits, the benefit payments may be considered taxable income if you receive them; if you contribute to the premiums, disability benefits may not be taxable. Please note that sick leave and Workers' Compensation are also related benefits.

Life Insurance

Life insurance provides financial security for your family in the event of your death—it's a contract in which an insurance company promises to pay the people you've named as "beneficiaries" or recipients a certain amount of money upon your death. In return, you and/or your employer pay premiums to the insurance company. The amount of the premium is generally based on factors such as your age, gender, medical history and the dollar amount of life insurance you select. Certain types of life insurance may also provide benefits for you and your family while you're still living. Policies such as whole life or universal life accumulate a cash value on a tax-deferred basis, and that value can be used to supplement your retirement income or help provide for a child's education. There are four basic types of life insurance: term, whole life, universal life, and variable life.

Long-Term Care Insurance

Long-term care insurance provides coverage for expenses relating to care and treatment when a person has been diagnosed with a serious long-term medical condition.

Leave: Paid Time Off from Work.

Many jobs have one or more of the following types of leave subject to the number of hours an employee is currently working and his or her years in service: sick leave, maternity leave, personal time, and vacation time.

In addition, *The 1993 Family and Medical Leave Act* provides, in some situations, that employees' jobs must be held open during an extended period of sick leave if either an employee or certain family members are ill or have a "serious medical condition," including pregnancy.

Some companies give their employees flexibility under programs known as "flex-time" and "floating holidays." Flextime allows an employee some flexibility regarding the time he or she starts and finishes working each day, as long as the person works a certain amount of hours per pay period. This may help you avoid using leave for appointments, childcare obligations, educational classes, and the like. Other companies have a "floating holiday" policy, which allows employees to select the holidays they wish to take off from a list of certain holidays.

Retirement Plans: Saving for My Future

The two major types of employer-sponsored retirement plans are "defined contribution" plans and "defined benefit" plans. Both are subject to certain standards set up for your protection by the federal government in a law known as *ERISA*.

Defined contribution plans resemble an investment account, and allow a participating employee to save money that has been withheld from his or her pay. Employers may add to the funds accumulating in the account as well. A common example of this type of plan is a 401(k).

Under a defined benefit plan, retired employees receive a monthly, weekly, annual or other regular pension payment based on the employee's wages and years of service. The ability to participate may be limited by a minimum years of service limitation known as a vesting requirement.

Training/Education: Learn How to Do More

Employers may provide classes to help an employee understand his or her job better, or to improve the efficiency and knowledge of their workforce. This may involve paying for tuition at an educational institution under a tuition reimbursement plan, or providing on-the-job instruction. Employers may or may not pay their employees for their time during training and education.

Glossary

401(k) Plans: In this type of retirement savings plan, you direct your employer to contribute a percentage of your salary to a retirement account. This reduces your salary by the same amount. Sometimes your employer matches a portion of your contribution.

403(b) Plans: If your employer is a tax-exempt institution (hospital, public school, church, museum) you can contribute to a 403(b), which is similar to a 401(k) in all other respects.

Cash Balance Pension Plans: Cash balance pension plans are a type of defined benefit plans that promises or guarantees a certain final balance to be accumulated by retirement. This balance is assured whether or not investments perform as expected.

Defined Benefit Plan: Plan that specifies the benefits that you will receive upon the normal retirement age (such as a fixed monthly income). The burden of providing an adequate retirement income is placed solely on your employer. As with defined contribution plans, the funds are not taxable until withdrawn. The government has set up some rules regarding when and how you can receive payments from a defined benefit plan. Payments are allowed to begin when you are 65 or at the plan's "normal" retirement age, 10 years after one has begun the plan, or when you no longer work for the employer; whichever is later. You must begin taking payments no later than the time you become age 70½. These benefits can be paid for the rest of your life or your spouse's life if he or she outlives you.

Defined Contribution Retirement Plan: A plan in which employer contributions are allocated to individual employee accounts. The employee assumes the investment risk. Funds accumulate tax-free and are taxed when withdrawn (usually during retirement when the individual's tax rate is lower than when he or she was working). Defined contribution plans include: stock bonus plans, profit-sharing plans, 401(k) plans, and 403(b) plans. Most of the time, it is better to begin contributing money to this type of plan as soon as possible for three reasons. The first is that since many employers may match contributions, you are giving up a guaranteed return on your savings by not participating. Secondly, generally speaking, the longer one's money is invested the longer it has to grow and the more one will have. Third, because you're contributing "pre-tax" dollars (the money goes directly into the plan before taxes are deducted) you're putting more money to work for you than if you saved the same amount after taxes are deducted.

Flexible Spending Accounts, including Medical Savings Plans: An employee who participates in a Flexible Savings Account (FSA) pays a certain amount each month into the account by means of a payroll deduction. There are two kinds of FSAs—Medical Savings Plans (sometimes known as Section 125 plans) and Dependent Day Care Plans. You may use the money in an MSA to pay healthcare expenses, and the money in a Dependent Day Care Plan to pay childcare expenses. One key advantage of an FSA is that it allows you to pay expenses with "before tax" dollars. At the end of the year, if there is any money left over in the account, it's typically forfeited to the employer and so it is important that you do not contribute more than you think you will need. Some employers allow this money to be rolled over into an Individual Retirement Account. However, you should verify what your options are before making a contribution.

Fringe Benefits: These are non-pay benefits you receive from your employer. Examples include: discounted or free parking; membership in a health club; free uniforms; discounts on the goods or services the employer sells; and child daycare or educational assistance. The value of the fringe benefit paid by your employer may be considered taxable income unless the law specifically excludes it. For example, a discount on clothing would not be taxable but a company car might be.

Health Insurance: May include dental, vision care, and prescriptions plans. A dental plan is a form of healthcare plan designed to cover the expenses related to dental care. Depending on the plan coverage, your dental plan may cover some percentage of your dental costs, ranging from routine check-ups to oral surgeries. Some employers may also offer plans that include coverage for vision care and prescription needs. Both of these plan types may cover the cost of "routine" procedures but may not cover the cost of procedures that are considered to be "cosmetic." For example, glasses may be covered but contact lenses may not be.

HMO: A Health Maintenance Organization is a firm that contracts with medical facilities, physicians, and employers to provide medical care to a group of people. Employers pay a fixed premium for your coverage in the plan (this cost may be shared with the employee). In addition you may have to pay co-payments for office visits or prescriptions however generally there are not substantial "out-of-pocket" expenses. HMO advantages include:

- There are no deductibles or coinsurance expenses for which the employee is responsible, only a co-payment.
- The cost of premiums and employee contributions are generally low.
- Patients are responsible for less paperwork, as there are no claims to submit.

HMOS also have some disadvantages. One of these is that their member patients can only see doctors or other health care providers that are within the HMO network, except for emergencies and referrals.

Long-Term Care Insurance: Most long-term care insurance policies pay benefits when long-term care is prescribed by a physician as medically necessary or when someone can no longer take care of basic needs. For example, a person who is unable to get dressed and eat without help on a consistent basis might qualify for long-term care insurance benefits. Usually, policies cover all levels of care in state-licensed nursing homes. Many policies also cover assisted living and home health care.

Long-Term Disability: Helps replace income for an extended period of time, usually beginning after six months and ending after five years or when the disabled person turns 65. Some people have long-term disability insurance provided by their employers; others purchase it individually. Social Security disability benefits may be available to eligible individuals prior to the age 65, depending on your salary and how long you have been paying Social Security taxes. Generally, if you become seriously disabled before reaching age 65 and you have a steady work history, you may be eligible for a monthly Social Security disability payment. However, the Social Security payments do not start until 5 months after the injury.

Medicare: Medicare is the national health insurance program in the United States for individuals who are aged 65 and over. It was established in 1965 with passage of the Social Security Amendments and is now run by the Centers for Medicare and Medicaid Services. It provides for a basic program of hospital insurance, under which most persons aged 65 and over are protected against major costs of hospital and related care and a supplementary medical insurance program, through which persons aged 65 and over are aided in paying doctor bills and other health-care bills. It is funded by a tax on the earnings of employees, which is matched by the employer.

Medicaid: A national health insurance program in the United States for low-income persons; established in 1965 with passage of the Social Security Amendments and now run by the Centers for Medicare and Medicaid Services. It is a state and federal partnership that provides health coverage for selected categories of people. The federal role in Medicaid is limited to setting standards, issuing regulations and guidelines, and overseeing operation of the program by the states. Its purpose is to improve the health of people who might otherwise go without medical care for themselves and their children.

Paid Vacations: Vacations are time off from work, usually taken in days or weeks. Paid vacation benefits generally start after you've completed a specific length-of-time work requirement. The amount of paid vacation you receive is either a set number of days per year or is based on the length of time you've been employed. Vacation time is paid at your normal hourly rate or salary.

Personal Time: Personal time or leave can be given to handle personal, family, education or religious matters which you cannot attend to during regular time off and which the Family and Medical Leave Act does not cover. Flextime is a related concept, which allows an employee to vary his or her working hours so that they're different from a standard "9 to 5" workday. Some employees find flextime to be helpful in scheduling childcare obligations, after-work educational classes, and the like.

PPO: A preferred provider organization (PPO) is a health care plan in which a limited number of "preferred" health care providers contract to deliver services to PPO members. PPO members pay discounted fees for medical services, and discounted co-payments. PPOs offer financial incentives for members to see physicians in their preferred provider network, since many PPOs require members to pay just a co-payment. PPO members may continue to see a physician who is not part of the PPO, but at a reduced payment from the PPO (meaning the member will have to pay more of the cost of care).

Profit Sharing Plans: Your employer's contribution depends on the company's profits.

SIMPLE (Savings Incentive Match Plans for Employees) IRA: An employer-sponsored plan under which plan contributions are made to a participating employee's Individual Retirement Account. An employee's salary reductions may be no greater than $7000 as of 2002. The benefits of this plan are totally portable because the money is 100% vested. Money that is put into SIMPLE IRAs can be invested in any vehicle ranging from CDs to stocks.

Short-Term Disability: Insurance that provides an income for the early part of a disability—usually for up to six months.

Social Security: This is what the FICA withholding on your pay stub is referring to—it's the old age, survivors, disability, and health insurance (OASDHI) program offered by the federal government. Social security is the most widely used source of retirement income, but also protects you and your family against death and disability. If you are fully insured (have 40 quarters of coverage—which amounts to having worked approximately 10 years), you may start receiving retirement benefits at age 62. Please note, however, that if you start receiving benefits before attaining age 65 (normal retirement age), your benefits will be permanently reduced. On the other hand, if you delay receiving Social Security benefits after attaining age 65, you will receive a higher benefit amount. In order to start receiving benefits, you need to apply for them; the payments are not simply sent to you. To apply for Social Security benefits, visit the Social Security website at www.ssa.gov or call the Social Security office at 1-800-772-1213. You should start the application at least three months before you retire.

Stock Bonus Plan: Your employer's contribution is used to buy stock in the company you work for. At retirement you can receive your shares or sell them at their fair market value.

Sick Time: Sick time applies to absences from work due to your own illness or that of a member of your immediate family. Federal law does not require employers to provide paid sick leave. Full-time employees can earn sick pay to compensate them for time off of work due to sick time. Sick pay is usually based on your length of employment and your normal rate of pay.

Tax Credits: Wisconsin residents can take advantage of several tax credits to supplement their incomes. You may wish to investigate these tax credits:

- The Federal Earned Income Tax Credit (EIC) and the Wisconsin Earned Income Tax Credit. Qualifying persons who file tax returns get back some or all of the income tax withheld from their pay during the year. Even workers whose earnings were too small to have taxes withheld can get the EIC. Families with children who claim the federal EIC are automatically eligible for the Wisconsin Earned Income Credit.

- The Child Tax Credit, for families with children under age 17.
- The Saver's Tax Credit, for those who are able to save money in certain retirement savings plans.
- The Wisconsin Homestead Credit, for renters and homeowners with low or moderate incomes. Qualifying persons can get back some or all of their state taxes withheld during the year.

Term Life Insurance: A insurance policy that insures your family for a specified period of time, usually anywhere from one to 20 years. A term policy pays a benefit if you die during the period covered by the policy. If you stop paying premiums, the insurance stops. These policies do not build cash value.

Unemployment Insurance: This provides temporary financial assistance to workers who become unemployed through no fault of their own. Your employer pays for this benefit. Benefits are subject to Federal income taxes; you must report them on your tax return.

Universal Life Insurance: These policies are interest-sensitive and permit the owner to adjust the death benefit and/or premium payments, within limits, to fit the individual's situation. Premiums are credited to an accumulation fund, from which costs are deducted and to which interest is then credited. As with whole life insurance, the cash value is yours. You may withdraw it or borrow against it at any time.

Variable Life Insurance: These insurance policies allow you to tie the cash value of a life insurance policy to the performance of the financial markets. You decide among several investment options how your net premiums are to be invested. While money invested in the investment options may grow, such funds are subject to market risks including the loss of principal. In other words, some policyholders may make or lose money depending upon the performance of the market and the investment options they select.

Vesting: Refers to the amount of time you must work before earning a non-forfeitable right to an accrued benefit. When you're fully "vested," the accrued benefit is yours, even if you leave the company before reaching retirement age. Generally, if you are employed when you reach your plan's "normal" retirement age (usually 65), you will be fully vested. You also must be allowed to earn a vested right to your accrued benefit through service as described below.

You are always entitled to 100 percent vesting in your own contributions and salary reduction contributions, and any investment earnings thereon. However, if your employer makes contributions to your accrued benefit, you may be required to complete a certain number of years of service with the employer before the employer's portion of your accrued benefit becomes vested. If you terminate employment before working for a long enough period, you may forfeit all or part of the accrued benefit provided by your employer.

You must be allowed to earn vesting credit according to a vesting schedule that is at least as generous as one of two statutory schedules (the 5-year cliff vesting or the 3-through-7-year graded vesting) set by *ERISA*. These standards serve as a minimum for counting vesting service. Plans may provide a different standard, as long it is more generous than the set minimums.

Whole Life Insurance: These insurance policies provide protection and a cash value. They may also pay an annual dividend, which provides

flexibility and increased value to your life insurance policy. They can add more coverage to your overall insurance benefits and can build sizable cash value. Dividends are not guaranteed. Financial planners generally advise that life insurance should not be purchased solely for accumulation; and that its primary purpose is protection.

Workers' Compensation: If you are injured on the job, you could be eligible to receive Workers' Compensation benefits. Generally speaking, Workers' Compensation entitles you to full medical coverage and part of your salary if you become ill or injured on the job. The law requires that employers provide Worker's Compensation insurance for most jobs. For those jobs, Worker's Compensation is an "automatic" insurance benefit.

Appendix 1: Form W-2

22222 | Void ☐ | For Official Use Only ▶ OMB No. 1545-0008

a Control number

b Employer identification number

c Employer's name, address, and ZIP code

d Employee's social security number

e Employee's first name and initial | Last name

f Employee's address and ZIP code

1 Wages, tips, other compensation $	2 Federal income tax withheld $
3 Social security wages $	4 Social security tax withheld $
5 Medicare wages and tips $	6 Medicare tax withheld $
7 Social security tips $	8 Allocated tips $
9 Advance EIC payment $	10 Dependent care benefits $
11 Nonqualified plans	12a See instructions for box 12 $
13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐	12b $
14 Other	12c $
	12d $

15 State Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name
	$	$	$	$	
	$	$	$	$	

Form **W-2** **Wage and Tax Statement** (99) **2002** Department of the Treasury—Internal Revenue Service

Copy A For Social Security Administration—Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable.

(Rev. February 2002)

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 10134D

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Appendix 2: Form W-4.

Form W-4 (2002)

Purpose. Complete Form W-4 so your employer can withhold the correct Federal income tax from your pay. Because your tax situation may change, you may want to refigure your withholding each year.

Exemption from withholding. If you are exempt, complete only lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2002 expires February 16, 2003. See **Pub. 505,** Tax Withholding and Estimated Tax.

Note: *You cannot claim exemption from withholding if* ***(a)*** *your income exceeds $750 and includes more than $250 of unearned income (e.g., interest and dividends) and* ***(b)*** *another person can claim you as a dependent on their tax return.*

Basic instructions. If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earner/two-job situations. Complete all worksheets that apply. **However, you may claim fewer (or zero) allowances.**

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See line **E** below.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See **Pub. 919,** How Do I Adjust My Tax Withholding? for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using **Form 1040-ES,** Estimated Tax for Individuals. Otherwise, you may owe additional tax.

Two earners/two jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others.

Nonresident alien. If you are a nonresident alien, see the **Instructions for Form 8233** before completing this Form W-4.

Check your withholding. After your Form W-4 takes effect, use Pub. 919 to see how the dollar amount you are having withheld compares to your projected total tax for 2002. See Pub. 919, especially if you used the **Two-Earner/Two-Job Worksheet** on page 2 and your earnings exceed $125,000 (Single) or $175,000 (Married).

Recent name change? If your name on line 1 differs from that shown on your social security card, call 1-800-772-1213 for a new social security card.

Personal Allowances Worksheet (Keep for your records.)

A Enter "1" for **yourself** if no one else can claim you as a dependent . . . . **A** ______

B Enter "1" if:
- You are single and have only one job; or
- You are married, have only one job, and your spouse does not work; or
- Your wages from a second job or your spouse's wages (or the total of both) are $1,000 or less.

. . **B** ______

C Enter "1" for your **spouse.** But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.). . . . . **C** ______

D Enter number of **dependents** (other than your spouse or yourself) you will claim on your tax return . . . . **D** ______

E Enter "1" if you will file as **head of household** on your tax return (see conditions under **Head of household** above) . **E** ______

F Enter "1" if you have at least $1,500 of **child or dependent care expenses** for which you plan to claim a credit . . **F** ______

(**Note:** *Do* ***not*** *include child support payments. See* ***Pub. 503,*** *Child and Dependent Care Expenses, for details.*)

G **Child Tax Credit** (including additional child tax credit):
- If your total income will be between $15,000 and $42,000 ($20,000 and $65,000 if married), enter "1" for each eligible child plus **1 additional** if you have three to five eligible children or **2 additional** if you have six or more eligible children.
- If your total income will be between $42,000 and $80,000 ($65,000 and $115,000 if married), enter "1" if you have one or two eligible children, "2" if you have three eligible children, "3" if you have four eligible children, or "4" if you have five or more eligible children.

G ______

H Add lines A through G and enter total here. **Note:** *This may be different from the number of exemptions you claim on your tax return.* ▶ **H** ______

For accuracy, complete all worksheets that apply.
- If you plan to **itemize or claim adjustments to income** and want to reduce your withholding, see the **Deductions and Adjustments Worksheet** on page 2.
- If you have **more than one job** or are **married and you and your spouse both work** and the combined earnings from all jobs exceed $35,000, see the **Two-Earner/Two-Job Worksheet** on page 2 to avoid having too little tax withheld.
- If **neither** of the above situations applies, **stop here** and enter the number from line H on line 5 of Form W-4 below.

Cut here and give Form W-4 to your employer. Keep the top part for your records.

Form **W-4** Department of the Treasury Internal Revenue Service

Employee's Withholding Allowance Certificate

▶ **For Privacy Act and Paperwork Reduction Act Notice, see page 2.**

OMB No. 1545-0010 **2002**

1 Type or print your first name and middle initial	Last name	2 Your social security number
Home address (number and street or rural route)		3 ☐ Single ☐ Married ☐ Married, but withhold at higher Single rate. **Note:** *If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.*
City or town, state, and ZIP code		4 **If your last name differs from that on your social security card, check here. You must call 1-800-772-1213 for a new card.** ▶ ☐

5 Total number of allowances you are claiming (from line **H** above **or** from the applicable worksheet on page 2) | 5 |

6 Additional amount, if any, you want withheld from each paycheck . . . . | 6 | $

7 I claim exemption from withholding for 2002, and I certify that I meet **both** of the following conditions for exemption:
- Last year I had a right to a refund of **all** Federal income tax withheld because I had **no** tax liability **and**
- This year I expect a refund of **all** Federal income tax withheld because I expect to have **no** tax liability.

If you meet both conditions, write "Exempt" here . . . . ▶ | 7 |

Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate, or I am entitled to claim exempt status.

Employee's signature (Form is not valid unless you sign it.) ▶ **Date** ▶

8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)	9 Office code (optional)	10 Employer identification number

Cat. No. 10220Q

Appendix 2: Form W-4, continued.

Form W-4 (2002) Page **2**

Deductions and Adjustments Worksheet

Note: *Use this worksheet only if you plan to itemize deductions, claim certain credits, or claim adjustments to income on your 2002 tax return.*

1	Enter an estimate of your 2002 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 7.5% of your income, and miscellaneous deductions. (For 2002, you may have to reduce your itemized deductions if your income is over $137,300 ($68,650 if married filing separately). See **Worksheet 3** in Pub. 919 for details.)	1	$
2	Enter: $7,850 if married filing jointly or qualifying widow(er); $6,900 if head of household; $4,700 if single; $3,925 if married filing separately	2	$
3	**Subtract** line 2 from line 1. If line 2 is greater than line 1, enter "-0-"	3	$
4	Enter an estimate of your 2002 adjustments to income, including alimony, deductible IRA contributions, and student loan interest	4	$
5	**Add** lines 3 and 4 and enter the total. Include any amount for credits from **Worksheet 7** in Pub. 919.	5	$
6	Enter an estimate of your 2002 nonwage income (such as dividends or interest)	6	$
7	**Subtract** line 6 from line 5. Enter the result, but not less than "-0-"	7	$
8	**Divide** the amount on line 7 by $3,000 and enter the result here. Drop any fraction	8	
9	Enter the number from the **Personal Allowances Worksheet,** line H, page 1	9	
10	**Add** lines 8 and 9 and enter the total here. If you plan to use the **Two-Earner/Two-Job Worksheet,** also enter this total on line 1 below. Otherwise, **stop here** and enter this total on Form W-4, line 5, page 1	10	

Two-Earner/Two-Job Worksheet

Note: *Use this worksheet only if the instructions under line H on page 1 direct you here.*

1	Enter the number from line H, page 1 (or from line 10 above if you used the **Deductions and Adjustments Worksheet**)	1	
2	Find the number in **Table 1** below that applies to the **lowest** paying job and enter it here	2	
3	If line 1 is **more than or equal to** line 2, subtract line 2 from line 1. Enter the result here (if zero, enter "-0-") and on Form W-4, line 5, page 1. **Do not** use the rest of this worksheet	3	

Note: *If line 1 is **less than** line 2, enter "-0-" on Form W-4, line 5, page 1. Complete lines 4–9 below to calculate the additional withholding amount necessary to avoid a year end tax bill.*

4	Enter the number from line 2 of this worksheet	4	
5	Enter the number from line 1 of this worksheet	5	
6	**Subtract** line 5 from line 4	6	
7	Find the amount in **Table 2** below that applies to the **highest** paying job and enter it here	7	$
8	**Multiply** line 7 by line 6 and enter the result here. This is the additional annual withholding needed	8	$
9	Divide line 8 by the number of pay periods remaining in 2002. For example, divide by 26 if you are paid every two weeks and you complete this form in December 2001. Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck	9	$

Table 1: Two-Earner/Two-Job Worksheet

Married Filing Jointly				All Others			
If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above
$0 - $4,000	0	44,001 - 50,000	8	$0 - $6,000	0	75,001 - 95,000	8
4,001 - 9,000	1	50,001 - 55,000	9	6,001 - 11,000	1	95,001 - 110,000	9
9,001 - 15,000	2	55,001 - 65,000	10	11,001 - 17,000	2	110,001 and over	10
15,001 - 20,000	3	65,001 - 80,000	11	17,001 - 23,000	3		
20,001 - 25,000	4	80,001 - 95,000	12	23,001 - 28,000	4		
25,001 - 32,000	5	95,001 - 110,000	13	28,001 - 38,000	5		
32,001 - 38,000	6	110,001 - 125,000	14	38,001 - 55,000	6		
38,001 - 44,000	7	125,001 and over	15	55,001 - 75,000	7		

Table 2: Two-Earner/Two-Job Worksheet

Married Filing Jointly		All Others	
If wages from **HIGHEST** paying job are—	Enter on line 7 above	If wages from **HIGHEST** paying job are—	Enter on line 7 above
$0 - $50,000	$450	$0 - $30,000	$450
50,001 - 100,000	800	30,001 - 70,000	800
100,001 - 150,000	900	70,001 - 140,000	900
150,001 - 270,000	1,050	140,001 - 300,000	1,050
270,001 and over	1,150	300,001 and over	1,150

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. The Internal Revenue Code requires this information under sections 3402(f)(2)(A) and 6109 and their regulations. **Failure to provide a properly completed form will result in your being treated as a single person who claims no withholding allowances; providing fraudulent information may also subject you to penalties.** Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, to cities, states, and the District of Columbia for use in administering their tax laws, and using it in the National Directory of New Hires.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping,** 46 min.; **Learning about the law or the form,** 13 min.; **Preparing the form,** 59 min. If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **Do not** send the tax form to this address. Instead, give it to your employer.

Appendix 3: Relevant Legislation.

COBRA Medical Benefits

Under COBRA, (Consolidated Omnibus Budget Reconciliation Act of 1985) if you voluntarily resign from a job or are terminated for any reason other than "gross misconduct," federal law guarantees you the right to continue to participate in your former employer's plan at group rates for individual or family health insurance for up to 18 months at your own expense. If you are permanently disabled this period may be extended to 29 months. In most cases, your spouse and dependent children are eligible for COBRA coverage for as long as three years. If you are entitled to COBRA benefits, your health plan must give you a notice stating your right to choose to continue benefits provided by the plan. You have 60 days to accept coverage; if you don't accept coverage within this period, you'll lose your rights to benefits. Once you've chosen to participate in health insurance under COBRA, you're required to pay for the coverage.

Dislocated Worker Program

The State Dislocated Worker Program in the Department of Workforce Development was created to provide rapid response assistance to workers, companies, organized labor and communities affected by business closings or mass layoffs. The Workforce Investment Act (WIA) ensures that employment and training services are made available quickly through locally operated programs and state-level rapid response coordinators. The types of services include career counseling, job training, job listings, etc. Early intervention is important in developing options and strategies for employers, employees and communities. If you would like more information about Dislocated Worker services, please call the Wisconsin Dislocated Worker Unit at (608) 266-0745.

ERISA

The Employee Retirement Income Security Act of 1974 ("ERISA") is a federal law that set minimum standards for pension plans offered by employers. ERISA defines how long a person may be required to work before becoming eligible to participate in a plan, to accumulate benefits, and to have a nonforfeitable right to the pension benefits. In addition, ERISA also established the Pension Benefit Guaranty Corporation, which operates much like the FDIC does within the banking industry. The PBGC guarantees the payment of a certain level of benefits should the defined benefit plan be terminated.

Family and Medical Leave Act

Enacted in 1993, the Family and Medical Leave Act allows you to take up to 12 weeks of unpaid leave (time off) a year without losing your job if:

- You are having or adopting a baby;
- Your child, spouse or parent has a serious health condition; or
- You have a serious health condition, including pregnancy.

You are eligible for leave if you have worked at your current job for at least 12 months and have worked at least 1,250 hours in the past 12 months. Also, you are only eligible if your employer employs 50 or more employees within 75 miles of the worksite. You can use the Family and Medical Leave to work on a less than full-time schedule and the 12 weeks do not have to be taken all at once.

QDRO—Qualified Domestic Relations Order

A Q.D.R.O. is a court order or decree that determines the rights of someone besides the former employee/plan participant to receive benefits from a qualified retirement plan. It can be for the payment of child support, alimony, or marital property rights to a spouse or a dependent. The Q.D.R.O. specifies the amount that will be paid to the participant's spouse or dependent.

Notes

Benefit Comparison Chart: Instructions for Use

1. Fill this out for each prospective employer
2. Determine which benefits package provides the best value to me and my family
    a. Consider your family situation
    b. Consider whether the benefit meets a short-term need, long-term need, or ongoing need
    c. Prioritize the benefits in terms of the previous step
3. Address the following questions
    a. Benefit name/type
        • What does my employer call it?
        • Is there more than one applicable benefit?
    b. What is the cost to me? (Per month)
        • Or per pay period?
        • What is withheld from my paycheck to pay for this benefit (if anything)?
        • Is it pretax or after-tax dollars?
    c. How do I benefit?
        • What does this provide for?
    d. What are the limitations on use?
        • What does it not provide for?
    e. When am I Eligible?
        • Can I use this right away or is there a vesting period?
    f. Expected value this would produce
        • What type of $ benefit would this provide?
        • Is it a contingency benefit, which I only get if something happens or is it something I will definitely be receiving?

Benefit Comparison Chart

Benefit Category	*Benefit name/type*	*What is the cost to me? (Per month)*	*How do I benefit?*	*What are the limitations on use?*	*When am I eligible?*	*Expected value this would produce*
Retirement						
Health						
Financial support in case of injury or disability						
Financial support in case of death						
Paid time off from work						
Education or training						
Materials or supplies						
Others						

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